

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED	CONFIDENTIAL	SECRET	
CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
1		STAT	
2	2011 R & S Building <i>6/10</i>		
3	<i>Called Mr. Reddick's office</i>		
4	<i>183-7504 and they will check</i>		
5	<i>all mailing lists.</i>	<i>13</i>	
6			
ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	
Remarks: STAT			
<p>Do we have any problem on the new regulations attached? Also, are we required to respond?</p> <p>I don't know what we have to do to get Charlie's name off the Civil Service rolls, but you will note who the addressee on this letter is.</p> <p><i>File</i> <span style="border: 1px solid black; padding: 2px 10px; display: inline-block;"></span> <i>Ch/ha</i></p>			
STAT			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO		DATE	
C/BSD 5E47 Headquarters			
UNCLASSIFIED	CONFIDENTIAL	SECRET	

FORM NO. 237 Use previous editions (40)  
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## UNITED STATES CIVIL SERVICE COMMISSION

BUREAU OF RETIREMENT AND INSURANCE

WASHINGTON 25, D.C. 20415

June 3, 1964

ADDRESS REPLY TO  
"U.S. CIVIL SERVICE COMMISSION"  
AND REFER TOFILE RI:JHF:ycd  
AND DATE OF THIS LETTER  
STAT

[Redacted]  
Government Employees Health Assn., Inc.  
Post Office Box 463  
Washington, D.C. 20044

STAT

Dear [Redacted]

STAT

Attached is a copy of proposed amendments to the health benefits regulations published as proposed rule-making in the Federal Register of June 5, 1964, and an explanation of the reason for issuance of the proposed amendments. You have 30 days from the date of publication in the Federal Register to submit any comments, objections, or suggestions with respect to these regulations. Please address your comments to this office.

Sincerely yours,

*Andrew E. Ruddock*Andrew E. Ruddock  
Director

Enclosures (2)

## TITLE 5 - ADMINISTRATIVE PERSONNEL

## CHAPTER I - CIVIL SERVICE COMMISSION

## PART 890 - FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

## Restrictions on Advertisement of Health Benefits Plans

Part 890 of Chapter I of Title 5, Code of Federal Regulations, is amended in the following respects:

Section 890.202(e) is revoked.

A new section 890.203a is added, as follows:

§ 890.203a Advertising and solicitation prohibited.

(a) Except as permitted by paragraph (b) of this section, a carrier shall not advertise a plan approved under the Federal Employees Health Benefits Program or the carrier's participation in the Program, nor shall it solicit enrollment of employees or annuitants. Any publication through any media, by, or inspired by, a carrier, a carrier's agent, representative, affiliate, or any other person with color of authority to act in the carrier's behalf shall be considered a violation of this section if it refers to an approved plan in such fashion that it directly or indirectly advertises the plan or contains any solicitation, invitation, or suggestion that any employee enroll in the plan or if it contains any comparison of one plan with another or any indication that one plan is in any way superior to another.

(b) A carrier may make public mention in print of an approved plan only (1) to give notice of a change of the carrier's address; (2) to make full disclosure of the financial operations of the plan which must include as a minimum a statement of income and expense and a statement of financial condition; (3) to furnish general information about the Federal Employees Health Benefits Program as a whole; (4) to publish verbatim

reprints of Commission news releases, with credit to the Commission; (5) to make announcements requested by the Commission; and (6), in a listing of advantages of belonging to an employee organization in recruiting literature, to make the statement: "a health benefits plan which participates in the Federal Employees Health Benefits Program", or its equivalent, with or without the statement "see the official Civil Service Commission brochure for benefits and costs", or its equivalent. A carrier shall not make any public mention, directly or indirectly, of the plan's benefits, or of any other approved plans, except for those matters covered by clauses (4) and (5) of this paragraph.

(c) Public mention of an approved plan by a carrier permitted by paragraph (b) of this section shall be limited to those publications, house organs, and employee organization recruiting literature published by the headquarters office of the carrier. No mention of the plan shall appear in any local, state or regional publication of the carrier or its affiliates.

(d) Communication exclusively between a carrier and an employee or annuitant enrolled in its plan is not considered advertising for the purposes of this section. Distribution of the official Civil Service Commission brochure is not considered advertising for the purposes of this section.

Section 890.503(b) and section 890.503(c)(1) are amended to read as follows:

§ 890.503 Reserves.

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(b) The administrative reserve is credited with the one one-hundred-and-fourth of the enrollment charge set aside for the administrative

reserve. The administrative reserve is available for payment of administrative expenses of the Commission incurred under this part, and for such other purposes as may be authorized by law.

(c)(1) The contingency reserve for each plan is credited with (i) the three one-hundred-and-fourths of the enrollment charge set aside for the contingency reserve from the enrollment charges for employees and annuitants enrolled for that plan, (ii) amounts transferred in accordance with law from other contingency reserves and the administrative reserve, (iii) income from investment of the reserve, (iv) its proportionate share of the income from investment of the administrative reserve, and (v) any return of reserves of the plan. The preferred minimum balance for the contingency reserve is 1 month's subscription charges at the average monthly rate paid from the Employees Health Benefits Fund for the plan during the most recent contract period.

\* \* \*

EXPLANATIONAdvertising restriction

The Commission has reviewed its policy with respect to advertising and reaffirmed its position that advertising by carriers in the Federal Employees Health Benefits Program is not in the best interests of employees or the Government and would be detrimental to the Program as a whole. It proposes to amend the regulations in order to combine and clarify its existing instructions, as well as to make them more restrictive.

With respect to paragraph (c) of the proposed regulation: The publications of a carrier's headquarters office are widely circulated and can be expected to reach the attention of practically all enrollees of a plan. There is, therefore, no legitimate need for regional, state, or local affiliates of the carrier to reprint or restate health benefits information. Unnecessary repetition of the same information and repeated mention of a plan become advertising and solicitation in the guise of news and it is the intent of the regulation to prohibit this by limiting mention of a plan to publications controlled by a carrier's headquarters. The regulation does not preclude an employee organization from listing in recruiting literature for the organization the advantages of joining the union; this listing may include an item such as "a health benefits plan which participates in the Federal Employees Health Benefits Program." However, no further description of the plan is permitted. Characterizations of the plan, such as "the best," "one of the best," "second to none" or "the plan for you," are prohibited. A simple legend, such as "See the official Civil Service Commission brochure for benefits and costs," is permitted.

With respect to paragraph (b) of the proposed regulations: This permits public mention of a plan under certain conditions because some carriers may occasionally have a legitimate need to communicate with their members on an important aspect of plan administration or health benefits program developments. For example: Members would need to be informed of a new address to which claims are to be mailed or where service may be obtained; a full disclosure of financial condition of the plan would be permitted, whereas disclosing only certain figures (e.g., claims paid), would be considered to be advertising; a carrier might want to remind employees of the right under the program to convert to a nongroup contract. It is anticipated that any program changes of interest to employees (e.g., changes in law and regulations, open seasons, etc.) will be announced by Commission news releases which carriers are permitted to reprint in full, without change, and with credit to the Commission. Attachments to news releases need not be reprinted in full. The cost of publishing such communications is not allowable as a charge to the experience of the plan but must be borne by the carrier unless the Commission has requested the publication.

- 2 -

In connection with its review of advertising policy, the Commission has also reaffirmed the existing authorization which permits a carrier to purchase from its own (not plan) funds, additional copies of its official brochure. These brochures may be distributed or displayed without any accompanying literature, so long as in doing so there is no violation of the regulations or policy of any Federal agency in which they may be distributed or displayed. The brochure, developed jointly with the carrier, is the best exposition of a plan's benefits, exclusions, and limitations and there is no legitimate need for a carrier to further elaborate on them in any publication. Nor is there any legitimate need for a carrier to comment in any way on another carrier's plan. This does not authorize use of official agency channels or facilities to distribute carrier-purchased brochures.

Administrative reserve

Public Law 88-284 amended the Federal Employees Health Benefits Act so as to permit the transfer of excess administrative reserves to the contingency reserves on a proportionate basis. Our present regulations provide that income on the administrative reserve will be credited to the administrative reserve. Since the enactment of Public Law 88-284, the crediting of income on investments to the administrative reserve is useless since excess administrative reserve is to be transferred in accordance with law to the contingency reserves of the plans. Consequently, it is proposed that all investment income of the Employees Health Benefits Fund will be credited to the contingency reserves without passing through the administrative reserve.